

FORUM CONCLUSIONS

The Forum on Transportation Investment has been an engaging process for all who have participated. Throughout the last year, the Forum members have considered many important topics relating to transportation, its funding, and the future of our state. When the process started, there was no question in anyone's mind that transportation is critical to Idaho's future. The role and importance of transportation cannot be overstated. Whether transportation is a consideration of the state's economy, the nature of Idaho's demographics or population distribution, the quality of life offered to Idaho's citizens, or any other factor under consideration, transportation is a part of that discussion.

The shortfall in transportation funding is real and growing. Ignoring the funding shortfall will not make it go away, nor will the mobility requirements for the state somehow diminish. The importance of addressing transportation and its role for Idaho's future vitality cannot be overstated. These conclusions, the Forum's recommendations, and information contained in this report provide elected and appointed officials with a substantive view of the Idaho's transportation future and the actions necessary to secure that future for generations to come.

As an outcome of the efforts of the Forum, many significant conclusions can be drawn. The following is a summary of the most salient points:

A. Idaho will continue to grow at an historic pace.

The very characteristics of Idaho's open space, clean air, scenic wonders, and quality of life make this state a desirable place for those who live here to stay; and attracts many from outside our borders to move in. Grow we will. Address this growth we must. Specific to this conclusion are the following:

- a. Idaho's population is projected to grow by 56% from 2000 to 2030-over twice the national average.
- b. Idaho is the 5th fastest growing state in the country.
- c. Boise is the 7th fastest growing urban area in the country.
- d. Growth will occur in a dispersed manner throughout the state, although the urban areas will continue to be more populated.
- e. Since 1978, there has been a 104% increase in vehicle miles traveled and a 93% increase in the number of vehicles registered.

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B. Transportation is critical to the state's economy.

Transportation has been an important part of the state's economic engine since the first settlers arrived. While agriculture continues to hold a prominent position in the economic offering, tourism, technology, and other industries have become major players in Idaho's role in the nation's and global economies. Moving goods and people throughout the state and to destinations outside our borders is an important part of that economic strength.

C. Transportation must be addressed at all levels of government and among all jurisdictions.

Transportation in Idaho is not strictly a State transportation challenge. Cities, towns, counties, highway districts, and numerous other transportation providers struggle with the need to provide effective transportation services for Idaho citizens. From the many discussions held by the Forum, solving the transportation funding challenges for Idaho must be done with an eye towards all levels of government and all entities responsible for delivery of transportation services. As a consequence of this conclusion:

- a. Almost 300 various jurisdictions have responsibility for Idaho's transportation system.
- b. The state's highway network is composed of over 38,250 miles of roadway -reflecting all levels of government and jurisdictions.

D. Increased transportation funding is not a challenge to be delayed to the future.

Some would think that transportation funding is a future challenge to be left to other generations of leaders. The Forum concluded that this was not so. Given the staggering needs identified by state and local entities as part of the Forum process, the shortfall in funding is a challenge that has been with the state for years and stretches far into the future. Funding transportation must be resolved in the near-term as well as for decades to come. As a result of this conclusion:

- a. In 1993, the backlog of highway needs among all jurisdictions was identified for the period of 1994 through 2000 to total \$8.65 billion.
- b. Available revenues for the period of FY1994-FY2000 totaled \$4.1 billion -- not even half of that which was needed.
- c. As the Forum considered future transportation requirements for Idaho, the backlog of projects and needs continues unabated without increased transportation funding.

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E. Federal funding cannot be relied upon to solve Idaho's transportation funding challenges.

Some would suggest that the solution to Idaho's transportation funding challenges lies in garnering additional federal funds at the national level. While Idaho has been a benefactor for many years of substantially higher than normal federal funding allocations, there is clear evidence that the federal Highway Trust Fund is unable to sustain the current levels of funding that will be in the recently passed SAFETEA-LU legislation. In fact, reports indicate that the Highway Trust Fund will have a negative balance by 2008 if current spending levels continue. Future reliance on federal funding to an inordinate degree would not be wise or realistic. With this conclusion in mind:

- a. Idaho received a 30% increase in federal funding through the SAFETEA-LU legislation.
- b. Current revenues into the federal Highway Trust Fund are about \$29 billion per year.
- c. Current outlays from the federal Highway Trust Fund are projected to be nearly \$40 billion per year (2006).
- d. By spending more than is coming into the federal Highway Trust Fund (HTF) and drawing down the current balance, the HTF will no longer be able to support significant increases in funding to the states without a major tax increase.
- e. Given other pressures, both international and domestic, it is unlikely that a large tax increase at the federal level will occur or contribute in a significant way to Idaho's transportation funding solution

F. Idaho's transportation needs in the next 30 years are in excess of \$20 billion.

The transportation needs of Idaho are significant. As part of the Forum's study of transportation finance, a comprehensive list of future needs for the next thirty years gave the Members a sense of the transportation challenge they are facing. Through extensive engagements with stakeholders across the state, the Forum compiled a listing of projects and proposed needs for local roads and highways, state highways, public transportation and aviation. The total funding requirements in 2005 dollars exceeded \$20 billion over the next 30 years. Specific to this conclusion are the following:

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- a. Needs for the different modes and jurisdictions were identified as follows:
 - i. Interstate highway needs: \$4.5 billion,
 - ii. State highway needs: \$8.0 billion,
 - iii. Local transportation needs: \$6.3 billion,
 - iv. Airport needs: \$221 million,
 - v. Public transportation needs: \$1 billion.
- b. Projections based on past transportation funding levels reflected that an inflated need for the same period in excess of \$23 billion.
- c. While the listing of projects may change over time, there is no question that the order of magnitude of these needs will not be very different from that found by the Forum.

G. Idaho's funding shortfall from FY2005 through FY2035 is over \$200 million a year.

With the needs understood and current funding levels identified, the Forum was able to assess a transportation funding shortfall by comparing the two figures. Ultimately, the gap between available funding and what is currently or reasonably expected to be available over the next thirty years is \$203 million per year (in 2005 dollars) for that period of time. This is in addition to the funding already available from existing state sources and includes the new monies coming from SAFETEA-LU. How to fill that gap and achieve the level of transportation mobility for Idaho became the task of the Forum in preparing its recommendations to the Idaho Transportation Board.

H. Public transportation must be addressed as part of Idaho's comprehensive transportation solution for the future.

One of the clear messages coming from the Forum was the need to address Idaho's public transportation requirements. The interest in public transportation in Idaho continues to grow with citizen's needs and demands and elected and appointed officials seeing the importance of public transportation in the mix of solutions for addressing Idaho's mobility needs. However, the challenges with public transportation, first and foremost, come quickly to funding or more correctly, the lack thereof. Specific to this conclusion are the following:

- a. Idaho is one of six states in the United States that does not have a dedicated revenue stream for public transportation.
- b. Competition for federal funding has never been greater.
- c. Even if federal funding is available, the trend in state/local matching requirements reflects a need for a larger proportion coming from Idaho sources.

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- d. Interest in public transportation is growing with recent polls showing 80% of the Ada County residents saying they would use public transportation 1 to 2 times a week.
- e. Interest in public transportation is also high in rural Idaho with 89% of the McCall residents saying they favored this mode of travel.

I. Idaho's current fuel tax is inadequate to address the pressing transportation funding needs over the next 30 years.

Idaho's fuel tax stands at 25 cents per gallon; as it has been for the last 10 years. The ravages of inflation and the basic inelasticity of fuel taxes in general have rendered this transportation funding mainstay largely ineffective in meeting Idaho's transportation funding needs. The Forum recognized that the need to raise fuel taxes is far past and that immediate measures should be taken to improve fuel tax viability into the future.

In addition, the Forum spent considerable time examining the possibilities for indexing the motor fuel tax to guard against inflation and other factors that tend to reduce its ability to contribute to state and local transportation funding needs. Consideration of a variety of means to index the motor fuel tax was undertaken. This report articulates what would happen if the motor fuel tax was indexed based on the amount of travel measured each year (annual vehicle miles traveled, AVMT) and the national construction cost index (NCCI). In all cases, there is substantial evidence that indexing the motor fuel tax is an effective means for ensuring transportation funding viability. The following was identified:

- a. Sixty-nine percent (69%) of Idaho's transportation funding comes from the motor fuel tax and twenty-eight percent (28%) coming from motor vehicle registrations. Neither has been increased since 1996.
- b. If indexing, based on any methodology, had been applied over the last ten years, the motor fuel tax would have offered a more robust funding stream for Idaho's transportation funding needs.

J. The answer to Idaho's transportation funding challenge lies not in a single solution, but rather in adopting a menu of revenue sources to address both state and local needs and all modes of transportation.

The magnitude of the transportation funding gap, coupled with the inability of the fuel tax (the state's largest funding contributor) to fill Idaho's transportation funding need indicates that multiple funding sources are needed to adequately fund Idaho's transportation future. The Forum considered many tools used by state and local jurisdictions throughout the country to assess which would be the most effective for Idaho. Included in this review were such tools as impact fees, sales tax on transportation related products, local option fuel taxes, advertising, transportation-related fees and others. With this in mind:

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- a. The Forum concluded that revenue sources need to be uniquely selected to fit Idaho's economic and funding circumstances.
- b. The Forum felt that the following tools held the most promise for addressing the 30 year funding needs of the state:
 - i. Increase the fuel tax,
 - ii. Increase vehicle registration fees,
 - iii. Value-based registration fees,
 - iv. Increase drivers licensing fees,
 - v. Increase the title fee,
 - vi. Index the fuel tax,
 - vii. Index vehicle registration fees,
 - viii. State sales tax on fuel,
 - ix. Dedicated sales tax (transportation related products).

K. Freight movement in Idaho is an important element of Idaho's transportation future.

Both motor carriers and rail providers in Idaho have an important role in moving goods--in and around Idaho as well as through the state and across the nation. From agricultural products to high tech components, freight mobility is vital to maintaining Idaho's position in the national and the global economies. In addition, the need to invest in Idaho's port is important to overall freight mobility. Specific to this conclusion are the following:

- a. Freight movement in the United States will double in the next 20 years.
- b. Idaho's freight requirements will likely follow the same growth trends as the United States.
- c. Idaho does not have a transportation initiative focused solely on freight mobility; nor a strategic freight investment plan.
- d. A modest investment in multi-modal freight facilities-rail, motor carrier, port, etc., would net a significant benefit to the state's economy and the ability to move goods in and through the state.

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L. Solutions to Idaho's transportation funding challenge may require innovative and non-traditional revenue sources and means of collection.

For many years Idaho has relied on traditional fuel taxes and a variety of fees to fund its transportation needs at the state and local levels. But, as demands and needs increase and circumstances change, it is apparent that non-traditional solutions can and should contribute in a large way to filling the looming transportation funding gap. Ultimately, elected and appointed officials must explore every possible option for addressing the transportation funding challenges. With this conclusion in mind:

- a. The state must look at each jurisdiction and determine the most effective means for funding their needs.
- b. Idaho transportation entities must maximize the revenues collected from existing sources. This may mean different collection means and methods.
- c. Efficiency in many forms must be applied to revenue sources, revenue collection, and project delivery to ensure the most effective use of transportation revenue.

M. Idaho must recognize the eventual transition from motor fuel to alternative fueled vehicles and prepare accordingly.

As motor fuel prices increase the public's interest in hybrid and alternative fueled vehicles continues to rise. Concerns for air quality and fuel economy also are contributing to public demand for vehicles that use less fossil fuel. The outcome of these trends will be a reduction or possible elimination of fuel taxing as a viable revenue stream for transportation funding. The transition from a fuel-based taxation system to one that is founded on some other means will take 10-20 years. Ultimately, Idaho must prepare for this change in taxation and more importantly, begin the preliminary steps today.